



Illinois Credit Union System

Illinois Credit Union League

ICUL Service Corporation

Mid-States Corporate
Federal Credit Union

Credit Union Political
Action Council

Illinois Credit Union
Foundation

December 12, 1997

**VIA CERTIFIED MAIL
RETURNED RECEIPT REQUESTED**

Ms Cynthia L. Johnson, Director
Cash Management Policy and Planning Division
Financial Management Service
U. S. Department of the Treasury
Room 420
401 14th Street S. W.
Washington, D.C. 20227

**Re: Treasury Proposal to Transmit Federal Government Benefits
Electronically**

Dear Ms Johnson:

We are pleased to respond on behalf of our member credit unions to the Treasury's request for comment on its proposal to transmit federal government benefits electronically. The Illinois Credit Union League represents over 570 state and federal credit unions in Illinois.

Selection of Financial Agents

The Treasury plans to engage financial institutions to act as financial agents which would provide access accounts to recipients without traditional deposit accounts. We oppose the Treasury's proposal. Although the selection of the agents will be through a bidding process, we believe the selection of a few super-institutions will drive up the costs of the accounts and drive out the smaller institutions which historically serve individuals of modest means. Recipients of federal benefit payments who do not have a traditional deposit account tend to be individuals of modest means. Credit unions have traditionally serve individuals of modest means and are able to provide access accounts to benefit recipients. The Treasury's proposal to limit the number of financial agents, however, would lock them out. The Treasury should rely on the participation of all financial institutions.

{630} 983-3400

{800} 942-7124

FAX {630} 983-4284

1807 West Diehl Road

P.O. Box 3107

Naperville, IL 60566-7107

Springfield branch

3B Lawrence Square

Springfield, IL 62704

EFT #157

Insured Financial Institution

The Treasury invites comments on its proposal to provide a recipient, without an account at a financial institution, an account in his/her name at a *federally-insured* financial institution. We oppose the proposal that restricts accounts to federally-insured financial institution. We agree the financial institution should be an insured institution but not necessarily one that is federally-insured. Currently countless recipients of federal payments have their payments deposited electronically into privately-insured financial institutions. We recommend accounts be restricted to financial institutions which meet one of the definitions of proposed section 206.2(e)(1)(i-v), e.g., a financial institution which is federally insured or which is eligible to make application to become an insured financial institution.

Account Features

The Treasury requests comments on the features of the access account that is to be provided to non-banked recipients. We believe the account should be structured to provide only a basic withdrawal service at the lowest possible cost. Since recipients retain the right to establish their own account relationship at the institution of their choice, they can make use of the access account to meet their basic withdrawal needs or convert the account to one with more features, subject to any additional charges.

The goal of the Treasury is to provide recipients with an access account at a reasonable cost. The account should not be loaded up with features that the least sophisticated recipient would not likely use. Recipients should not be charged fees for services they may not need or use.

Withdrawals from the account should not be debit-card based. In addition to withdrawals through automated teller machines and point-of-sale terminals the account should provide for over the counter withdrawals and receipt of negotiable instruments.

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We appreciate the opportunity to provide our comments regarding the electronic transmission of federal government benefits. We will be happy to respond to any question regarding these comments.

Sincerely,

ILLINOIS CREDIT UNION LEAGUE


Frank Martinez
Technical Specialist

c: ICUL Legislative Committee
Regulatory Action Team
Don Edwards

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